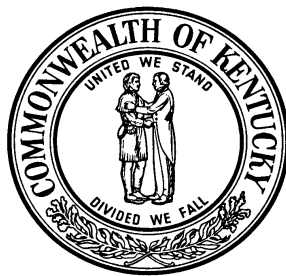


**REPORT OF THE AUDIT OF THE
LOGAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Logan Chick, Logan County Judge/Executive

Members of the Logan County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Logan County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LOGAN COUNTY FISCAL COURT

June 30, 2008

Peercy and Gray, PSC, has completed the audit of the Logan County Fiscal Court for fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The fiscal court had total net assets of \$11,770,815 as of June 30, 2008. In its governmental activities, the fiscal court had unrestricted net assets of \$17,347,691 as of June 30, 2008, with total net assets of \$11,740,650. In its business-type activities, total net cash and cash equivalents were \$18,931 with total net assets of \$30,165. Total debt principal as of June 30, 2008, was \$18,925,789 with \$743,375 due within the next year.

Deposits:

As of June 30, 2008, the fiscal court's deposits were insured and collateralized by bank securities.

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Peercy and Gray, PSC
Certified Public Accountants
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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Logan County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Logan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Logan County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2008 on our consideration of Logan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

September 30, 2008

LOGAN COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

Logan Chick	County Judge/Executive
Harold Prince	Magistrate
Curtis Watkins	Magistrate
Kerry Kenady	Magistrate
Starling Murphy	Magistrate
Loyd Houchens	Magistrate
Jo Orange	Magistrate
Thomas Bouldin	Magistrate

Other Elected Officials:

Thomas A. Noe, III	County Attorney
William Jenkins	Jailer
Scottie Harper	County Clerk
Sherry Wilkins	Circuit Court Clerk
Wallace Whittaker	Sheriff
Ben Brown	Property Valuation Administrator
Mary Givens	Coroner

Appointed Personnel:

Elaine Jenkins	County Treasurer
Karen Taylor	Finance Officer
Mary Jo Greer	Personnel/Payroll Officer
Paul Lyne	Road Supervisor
Sue Carol Marshall	Occupational Tax Administrator

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LOGAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

LOGAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 17,347,691	\$ 18,931	\$ 17,366,622
Total Current Assets	17,347,691	18,931	17,366,622
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	1,452,005		1,452,005
Construction In Progress	1,533,543		1,533,543
Buildings	4,623,200		4,623,200
Vehicles	297,328	1,840	299,168
Equipment	981,223	9,394	990,617
Infrastructure	4,431,449		4,431,449
Total Noncurrent Assets	13,318,748	11,234	13,329,982
Total Assets	30,666,439	30,165	30,696,604
LIABILITIES			
Current Liabilities:			
Bonds Payable	735,000		735,000
Financing Obligations Payable	8,375		8,375
Total Current Liabilities	743,375		743,375
Noncurrent Liabilities:			
Bonds Payable	18,165,000		18,165,000
Financing Obligations Payable	17,414		17,414
Total Noncurrent Liabilities	18,182,414		18,182,414
Total Liabilities	18,925,789		18,925,789
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(5,607,041)	11,234	(5,595,807)
Unrestricted	17,347,691	18,931	17,366,622
Total net assets	\$ 11,740,650	\$ 30,165	\$ 11,770,815

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

		Program Revenues Received		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,619,115	\$ 230,448	\$ 1,595,767	\$ 150
Protection to Persons and Property	1,979,495	773,497	116,023	10,256
General Health and Sanitation	450,158			
Social Services	90,899			117,863
Recreation and Culture	28,180			
Roads	1,228,100	230,945		1,503,576
Airports	17,500			
Debt Service	471,217			
Capital Projects	288,027			
Total Governmental Activities	9,172,691	1,234,890	1,711,790	1,631,845
Business-type Activities:				
Jail Canteen	97,933	95,551		
Total Business-type Activities	97,933	95,551		
Total Primary Government	\$ 9,270,624	\$ 1,330,441	\$ 1,711,790	\$ 1,631,845

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational/Net Profit Taxes
Other Taxes

In-Lieu of Tax

Recycling Receipts

Space Rental

Miscellaneous Revenues

Telephone Commissions

Reimbursements

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,792,750)		\$ (2,792,750)
(1,079,719)		(1,079,719)
(450,158)		(450,158)
26,964		26,964
(28,180)		(28,180)
506,421		506,421
(17,500)		(17,500)
(471,217)		(471,217)
(288,027)		(288,027)
(4,594,166)		(4,594,166)
	(2,382)	(2,382)
	(2,382)	(2,382)
\$ (4,594,166)	\$ (2,382)	\$ (4,596,548)
1,074,236		1,074,236
267,534		267,534
158,594		158,594
2,562,401		2,562,401
690,858		690,858
282,079		282,079
134,563		134,563
132,156		132,156
147,140	3,213	150,353
34,402		34,402
249,318		249,318
360,081		360,081
6,093,362	3,213	6,096,575
1,499,196	831	1,500,027
10,241,454	29,334	10,270,788
\$ 11,740,650	\$ 30,165	\$ 11,770,815

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road And Bridge Fund	Jail Fund	Occupational Tax/Net Profits Tax Fund	Hospital Special Reserve Fund
ASSETS					
Cash and Cash Equivalents	\$ 981,447	\$ 27,809	\$ 55,243	\$ 731,953	\$ 2,962,563
Total Assets	<u>\$ 981,447</u>	<u>\$ 27,809</u>	<u>\$ 55,243</u>	<u>\$ 731,953</u>	<u>\$ 2,962,563</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 230,367	\$ 39,477	\$ 32,813	\$ 654	\$
Capital Projects					
Debt Service Fund					
Unreserved:					
General Fund	751,080				
Special Revenue Funds		(11,668)	22,430	731,299	2,962,563
Total Fund Balances	<u>\$ 981,447</u>	<u>\$ 27,809</u>	<u>\$ 55,243</u>	<u>\$ 731,953</u>	<u>\$ 2,962,563</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2008
(Continued)

Public Properties Corporation Fund - Justice Center	Non- Major Governmental Funds	Total Governmental Funds
<u>\$ 11,677,702</u>	<u>\$ 910,974</u>	<u>\$ 17,347,691</u>
<u>\$ 11,677,702</u>	<u>\$ 910,974</u>	<u>\$ 17,347,691</u>
\$ 11,677,702	\$ 9,803	\$ 313,114
		11,677,702
	433,495	433,495
		751,080
	467,676	4,172,300
<u>\$ 11,677,702</u>	<u>\$ 910,974</u>	<u>\$ 17,347,691</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

Total Fund Balances	\$ 17,347,691
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	17,961,200
Accumulated Depreciation	(4,642,452)
Long- term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligation	(25,789)
Bonded Debt	<u>(18,900,000)</u>
Net Assets Of Governmental Activities	<u>\$ 11,740,650</u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>Jail Fund</u>	<u>Occupational Tax/Net Profits Tax Fund</u>
REVENUES				
Taxes	\$ 1,827,405	\$	\$	\$ 2,562,400
In Lieu Tax Payments	282,079			
Licenses and Permits	26,873			
Intergovernmental	1,940,246	1,911,928	685,940	
Charges for Services			39,363	
Miscellaneous	87,464	20,594	40,310	
Interest	51,316	10,639	2,637	36,313
Total Revenues	<u>4,215,383</u>	<u>1,943,161</u>	<u>768,250</u>	<u>2,598,713</u>
EXPENDITURES				
General Government	3,041,768	246		82,684
Protection to Persons and Property	321,087		1,370,355	
General Health and Sanitation	300			
Social Services	77,952			
Recreation and Culture				
Roads		3,168,747		
Airports				
Debt Service				
Capital Projects				
Administration	498,539	201,546	342,653	22,624
Total Expenditures	<u>3,939,646</u>	<u>3,370,539</u>	<u>1,713,008</u>	<u>105,308</u>
Excess (Deficiency) of Revenues				
Expenditures Before Other				
Financing Sources (Uses)	<u>275,737</u>	<u>(1,427,378)</u>	<u>(944,758)</u>	<u>2,493,405</u>
Other Financing Sources (Uses)				
Bond Proceeds				
Bond Anticipation Note Payment				
Transfers From Other Funds	475,000	1,735,000	1,285,000	910,891
Transfers To Other Funds	(594,180)	(435,891)	(336,922)	(4,006,000)
Total Other Financing Sources (Uses)	<u>(119,180)</u>	<u>1,299,109</u>	<u>948,078</u>	<u>(3,095,109)</u>
Net Change in Fund Balances	156,557	(128,269)	3,320	(601,704)
Fund Balances - Beginning	824,890	156,078	51,923	1,333,657
Fund Balances - Ending	<u>\$ 981,447</u>	<u>\$ 27,809</u>	<u>\$ 55,243</u>	<u>\$ 731,953</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

(Continued)

Hospital Special Reserve Fund	Public Properties Corporation Fund - Justice Center	Non- Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 363,616	\$ 4,753,421
			282,079
		203,575	230,448
		252,426	4,790,540
			39,363
		67,585	215,953
98,056	122,607	38,515	360,083
98,056	122,607	925,717	10,671,887
		118,158	3,242,856
		420,943	2,112,385
		326,213	326,513
		12,947	90,899
		28,180	28,180
			3,168,747
		17,500	17,500
	105,000	366,217	471,217
	1,517,104		1,517,104
	415,994	182,289	1,663,645
	2,038,098	1,472,447	12,639,046
98,056	(1,915,491)	(546,730)	(1,967,159)
	14,775,000		14,775,000
	(2,000,000)		(2,000,000)
319,180	86,725	647,922	5,459,718
		(86,725)	(5,459,718)
319,180	12,861,725	561,197	12,775,000
417,236	10,946,234	14,467	10,807,841
2,545,327	731,468	896,507	6,539,850
\$ 2,962,563	\$ 11,677,702	\$ 910,974	\$ 17,347,691

The accompanying notes are an integral part of the financial statements.

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**LOGAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

LOGAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 10,807,841
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated over Their Estimated Useful Lives and Reported as Depreciation Expense	
Book Value - Disposed Assets	(38,984)
Capital Outlay	3,964,994
Depreciation Expense	(617,817)
The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provided Current Financial Resources to Governmental Funds, While the Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect on Net Assets	
Bond Proceeds	(14,775,000)
Bond Anticipation Note Payment	2,000,000
Financing Obligations Principal Payment	8,162
Bond Principal Payments	<u>150,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,499,196</u></u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

LOGAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

	Business-Type Activities
	Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 18,931
Total Current Assets	<u>18,931</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	4,000
Equipment	15,727
Less Accumulated depreciation	<u>(8,493)</u>
Total Noncurrent Assets	<u>11,234</u>
Total Assets	<u>30,165</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	11,234
Unrestricted	<u>18,931</u>
Total Net Assets	<u>\$ 30,165</u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activities
	Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 95,551
Other Receipts	3,213
Total Operating Revenues	<u>98,764</u>
Operating Expenses	
Cost of Sales	83,696
Educational and Recreational	3,032
Depreciation	2,775
Miscellaneous	8,430
Total Operating Expenses	<u>97,933</u>
Operating Income	<u>831</u>
Nonoperating Revenues (Expenses)	
Inmate Pay From State	5,302
Inmate Refunds On Accounts	<u>(5,302)</u>
Total Operating Revenues (Expenses)	<u></u>
Change In Net Assets	831
Total Net Assets - Beginning	29,334
Total Net Assets - Ending	<u><u>\$ 30,165</u></u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

LOGAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activities Enterprise Fund Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 95,551
Other Receipts	3,213
Cost of Sales	(83,696)
Educational and Recreational	(3,032)
Miscellaneous	(8,430)
	<u>3,606</u>
Net Cash Provided By Operating Activities	<u>3,606</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	5,302
Inmate Refunds on Accounts	(5,302)
	<u>0</u>
Net Cash Used By Noncapital Financing Activities	<u>0</u>
Cash Flows From Capital And Related Financing Activities	
Purchase of Equipment	(2,595)
Net Cash Used By Capital And Related Financing Activities	(2,595)
	<u>0</u>
Net Decrease in Cash and Cash Equivalents	1,011
Cash and Cash Equivalents - July 1, 2007	17,920
	<u>18,931</u>
Cash and Cash Equivalents - June 30, 2008	<u>\$ 18,931</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 831
Adjustment to Reconcile Operating Income To Net Cash Provided By Operating Activities - Depreciation Expense	2,775
	<u>3,606</u>
Net Cash Provided By Operating Activities	<u>\$ 3,606</u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

**LOGAN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2008

	<u>Agency Fund Flex Spending Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 6,361
Total Assets	<u>6,361</u>
Liabilities	
Amounts Held In Custody For Others	<u>6,361</u>
Total Liabilities	<u>6,361</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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**LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Logan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has one discretely presented component unit, the Logan County Tourist and Convention Commission (Commission). The Commission's financial statements have not included in the County's financial statements, as they are considered immaterial.

Blended Component Units

Logan County Public Properties Corporation

The Logan County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within Logan County's financial statements. All activities of the Public Properties Corporation are accounted for within a major (debt service) fund.

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Logan County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Logan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Logan County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions and; 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Occupational Tax/Net Profits Tax Fund - The primary purpose for this fund is the collection of occupational tax and net profit tax.

Hospital Special Reserve Fund - The primary purpose of this fund is to act as a reserve fund. This is the County's primary savings account.

Public Properties Corporation Fund - Justice Center – The purpose of this fund is to account for bond proceeds, capital construction costs, and debt service payments related to the Justice Center.

The primary government also has the following nonmajor funds: Local Government Economic Assistance Fund, Community Development Block Grant Fund, Solid Waste/Recycling Fund, Life Skills Revolving Loan Fund, and the 911 Fund, which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes. The other nonmajor funds are Public Properties Corporation Fund – Detention Center and the County Bond Sinking Fund. These funds are considered a debt service fund.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road and Bridge Fund, Jail Fund, Occupational Tax/Net Profits Tax Fund, Hospital Special Reserve Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, Solid Waste/Recycling Fund, Life Skills Revolving Loan Fund, and the 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Public Properties Corporation - Detention Center and the County Bond Sinking Fund are presented as debt service funds. The debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest related to the Detention Center and the Justice Center.

Capital Projects Fund:

The Public Properties Corporation - Justice Center is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

Proprietary Fund

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Flex Spending Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Flex Spending Account - This fund accounts for funds received from employees, which are held until an employee is reimbursed for a reimbursable expense.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	20-25
Buildings	15,000	10-60
Building Improvements	25,000	10-60
Machinery and Equipment	1,000	3-25
Vehicles	1,000	3-12
Infrastructure	20,000	20-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Ventures, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Logan County Fiscal Court: East Logan County Water District and North Logan County Water District. The fiscal court's accountability for these organizations, however, does not extend beyond making the appointments.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Logan County Fiscal Court: Joint City-County Planning Commission and Board of Adjustment (Planning Commission). Logan County Fiscal Court is a participant with the cities of Adairville, Auburn, Lewisburg, and Russellville. The Planning Commission is governed by an eleven-member board composed of five appointees from the Logan County Fiscal Court, three appointees from the City of Russellville and one appointee each from the cities of Adairville, Auburn, and Lewisburg. All participants are obligated to pay expenses not met by Federal and State funds on a pro rata basis.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that creates the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The Logan County Fiscal Court (Fiscal Court), in conjunction with City of Russellville (City), has created the Russellville-Logan County Airport Board (Airport Board). The Airport Board is composed of three members each from the Fiscal Court and City. On September 23, 1997, the Fiscal Court and the City guaranteed repayment of loans in the amount of \$120,000 at an interest rate of 2% per annum. The loans are for a period of ten years for the purpose of constructing capital improvements.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Decreases
Primary Government:			
Governmental Activities:			
Capital Assets Not Being Depreciated:			
Land	\$ 1,452,005	\$	\$ 1,452,005
Construction In Progress	304,466	1,229,077	1,533,543
Total Capital Assets Not Being Depreciated	1,756,471	1,229,077	2,985,548
Capital Assets, Being Depreciated:			
Buildings	6,882,946	31,936	6,914,882
Vehicles	902,137	84,390	(135,046) 851,481
Equipment	1,888,142	393,795	(77,089) 2,204,848
Infrastructure	2,778,645	2,225,796	5,004,441
Total Capital Assets Being Depreciated	12,451,870	2,735,917	(212,135) 14,975,652
Less Accumulated Depreciation For:			
Buildings	(2,147,093)	(144,589)	(2,291,682)
Vehicles	(602,076)	(68,787)	116,710 (554,153)
Equipment	(1,124,375)	(155,691)	56,441 (1,223,625)
Infrastructure	(324,242)	(248,750)	(572,992)
Total Accumulated Depreciation	(4,197,786)	(617,817)	173,151 (4,642,452)
Total Capital Assets, Being Depreciated, Net	8,254,084	2,118,100	(38,984) 10,333,200
Governmental Activities Capital Assets, Net	\$ 10,010,555	\$ 3,347,177	\$ (38,984) \$ 13,318,748

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2008 was as follows: (Continued)

Primary Government: (Continued)	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 4,000	\$	\$	\$ 4,000
Equipment	13,132	2,595		15,727
Total Capital Assets Being Depreciated	17,132	2,595		19,727
Less Accumulated Depreciation For:				
Vehicles	(1,440)	(720)		(2,160)
Equipment	(4,278)	(2,055)		(6,333)
Total Accumulated Depreciation	(5,718)	(2,775)		(8,493)
Total Capital Assets, Being Depreciated, Net	11,414	(180)		11,234
Business-Type Activities Capital Assets, Net	\$ 11,414	\$ (180)	\$ 0	\$ 11,234

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 138,345
Protection to Persons and Property	62,516
General Health and Sanitation	131,807
Roads, Including Depreciation of General Infrastructure Assets	<u>285,149</u>

Total Depreciation Expense - Governmental Activities \$ 617,817

Business-Type Activities

Jail Canteen	<u>2,775</u>
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Total Depreciation Expense - Business-Type Activities \$ 2,775

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt

A. Bonds

On September 1, 1998, Logan County Public Properties Corporation issued first mortgage revenue bonds to provide funding for the construction of the Logan County Jail. The total bond issue was in the amount of \$5,140,000, with interest rates varying between 4.30% and 5.1%. Interest is payable on March 1 and September 1 of each year. At the date of sale, there was \$24,726 in accrued interest that was remitted to the Public Properties Corporation along with the bond proceeds. On October 7, 1998 funds were transferred from the Construction Fund Account to the Debt Reserve Account in the amount of \$368,988. Annually \$19,741 is transferred from the Debt Reserve Account to the Sinking Fund Account to pay a portion of the interest. The bond issue provides for early redemption, with 30 days notice, on or after September 1, 2008. Bonds outstanding as of June 30, 2008 were \$4,125,000. Debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Interest	Principal Amount
2009	\$ 200,490	\$ 155,000
2010	193,368	165,000
2011	185,746	170,000
2012	177,651	180,000
2013	169,001	190,000
2014-2018	692,215	1,110,000
2019-2023	372,045	1,455,000
2024-2028	36,210	700,000
Totals	<u>\$ 2,026,726</u>	<u>\$ 4,125,000</u>

B. Bonds

On February 1, 2008, Logan County Public Properties Corporation issued first mortgage revenue bonds to provide funding for the construction of the Logan County Judicial Center. The total bond issue was in the amount of \$14,775,000, with interest rates varying between 2.50% and 4.25%. Interest is payable on February 1 and August 1 of each year. At the date of sale, there was \$4,479 in accrued interest that was remitted to the Public Properties Corporation along with the bond proceeds. Funding of the debt service is provided by a lease arrangement with the Commonwealth of Kentucky Administrative Office of the Courts. Bonds outstanding as of June 30, 2008 were \$14,775,000. Debt service requirements are:

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

B. Bonds (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Interest	Principal Amount
2009	\$ 492,684	\$ 580,000
2010	522,974	550,000
2011	509,224	560,000
2012	492,424	580,000
2013	475,024	595,000
2014-2018	2,087,605	3,265,000
2019-2023	1,457,795	3,900,000
2024-2028	607,976	4,745,000
Totals	<u>\$ 6,645,706</u>	<u>\$ 14,775,000</u>

C. Financing Obligation

On July 1, 2000, Logan County Fiscal Court entered into a loan agreement with the Kentucky Infrastructure Authority for \$175,917. The Fiscal Court received \$78,731 of the loan proceeds. The loan was for the purpose of establishing a comprehensive recycling program for Logan County, including the cities of Russellville, Auburn, and Lewisburg. The interest rate was 2.60% for a period of ten (10) years, interest, and principal paid semi-annually. Loan balance outstanding as of June 30, 2008 was \$25,789. Debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Interest	Principal Amount
2009	\$ 616	\$ 8,375
2010	397	8,594
2011	172	8,820
Totals	<u>\$ 1,185</u>	<u>\$ 25,789</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

D. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
Primary Government:						
<u>Governmental Activities:</u>						
General Obligation Bonds	\$ 4,275,000	\$	\$ 150,000	\$ 4,125,000	\$ 155,000	3,970,000
Financing Obligations	33,951		8,162	25,789	8,375	17,414
Mortgage Revenue Bonds		14,775,000		14,775,000	580,000	14,195,000
Governmental Activities						
Long-term Liabilities	<u>\$ 4,308,951</u>	<u>\$ 14,775,000</u>	<u>\$ 158,162</u>	<u>\$ 18,925,789</u>	<u>\$ 743,375</u>	<u>\$ 18,182,414</u>

Note 5. Bond Anticipation Notes Payable

On July 11, 2006, Logan County Public Properties Corporation issued first mortgage revenue bond anticipation notes to provide funding for the construction of the Logan County Judicial Center. The amount of the notes was \$2,000,000, with an interest rate of 4.2%. Interest is payable on July 1, and January 1. The notes were paid off during the fiscal year ended June 30, 2008, with proceeds from the first mortgage revenue bonds issued in February 2008.

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 7. Deferred Compensation

On June 13, 2000, the Logan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2008, Logan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Interest on Long-Term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$935 in interest on financing obligations and \$312,163 in interest on bonds.

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2008

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2008

	GENERAL FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Taxes	\$ 1,588,795	\$ 1,588,795	\$ 1,827,405	\$ 238,610
In Lieu Tax Payments	195,000	195,000	282,079	87,079
Licenses and Permits	21,700	21,700	26,873	5,173
Intergovernmental Revenue	1,806,769	1,933,688	1,940,246	6,558
Miscellaneous	20,100	57,802	87,464	29,662
Interest	46,544	46,544	51,316	4,772
Total Revenues	<u>3,678,908</u>	<u>3,843,529</u>	<u>4,215,383</u>	<u>371,854</u>
EXPENDITURES				
General Government	3,151,596	3,303,961	3,041,768	262,193
Protection to Persons and Property	314,954	327,210	321,087	6,123
General Health and Sanitation	300	300	300	
Recreation and Culture	83,753	83,753	77,952	5,801
Capital Projects	305,475	305,475		305,475
Administration	527,150	527,150	498,539	28,611
Total Expenditures	<u>4,383,228</u>	<u>4,547,849</u>	<u>3,939,646</u>	<u>608,203</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(704,320)</u>	<u>(704,320)</u>	<u>275,737</u>	<u>980,057</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	6,000	6,000	475,000	469,000
Transfers To Other Funds	<u>(119,180)</u>	<u>(119,180)</u>	<u>(594,180)</u>	<u>(475,000)</u>
Total Other Financing Sources (Uses)	<u>(113,180)</u>	<u>(113,180)</u>	<u>(119,180)</u>	<u>(6,000)</u>
Net Changes in Fund Balances	<u>(817,500)</u>	<u>(817,500)</u>	<u>156,557</u>	<u>974,057</u>
Fund Balances - Beginning (Restated)	<u>817,500</u>	<u>817,500</u>	<u>824,890</u>	<u>7,390</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 981,447</u>	<u>\$ 981,447</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	ROAD AND BRIDGE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,972,845	\$ 1,972,845	\$ 1,911,928	\$ (60,917)
Miscellaneous	600	1,100	20,594	19,494
Interest	18,245	18,245	10,639	(7,606)
Total Revenues	<u>1,991,690</u>	<u>1,992,190</u>	<u>1,943,161</u>	<u>(49,029)</u>
EXPENDITURES				
General Government	500	500	246	254
Roads	3,385,695	3,386,195	3,168,747	217,448
Capital Projects	65,000	65,000		65,000
Administration	212,522	212,522	201,546	10,976
Total Expenditures	<u>3,663,717</u>	<u>3,664,217</u>	<u>3,370,539</u>	<u>293,678</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,672,027)</u>	<u>(1,672,027)</u>	<u>(1,427,378)</u>	<u>244,649</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,542,027	1,542,027	1,735,000	192,973
Transfers To Other Funds			(435,891)	(435,891)
Total Other Financing Sources (Uses)	<u>1,542,027</u>	<u>1,542,027</u>	<u>1,299,109</u>	<u>(242,918)</u>
Net Changes in Fund Balances	(130,000)	(130,000)	(128,269)	1,731
Fund Balances - Beginning	<u>130,000</u>	<u>130,000</u>	<u>156,078</u>	<u>26,078</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27,809</u>	<u>\$ 27,809</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 573,200	\$ 573,200	\$ 685,940	\$ 112,740
Charges for Services	36,000	36,000	39,363	3,363
Miscellaneous	38,100	38,100	40,310	2,210
Interest	3,500	3,500	2,637	(863)
Total Revenues	650,800	650,800	768,250	117,450
EXPENDITURES				
Protection to Persons and Property	1,440,072	1,440,072	1,370,355	69,717
Debt Service	337,423	337,423		337,423
Administration	347,680	347,680	342,653	5,027
Total Expenditures	2,125,175	2,125,175	1,713,008	412,167
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,474,375)	(1,474,375)	(944,758)	529,617
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,428,375	1,428,375	1,285,000	(143,375)
Transfers To Other Funds			(336,922)	(336,922)
Total Other Financing Sources (Uses)	1,428,375	1,428,375	948,078	(480,297)
Net Changes in Fund Balances	(46,000)	(46,000)	3,320	49,320
Fund Balances - Beginning	46,000	46,000	51,923	5,923
Fund Balances - Ending	\$ 0	\$ 0	\$ 55,243	\$ 55,243

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	OCCUPATIONAL TAX/ NET PROFITS TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,562,400	\$ 162,400
Interest	38,978	38,978	36,313	(2,665)
Total Revenues	<u>2,438,978</u>	<u>2,438,978</u>	<u>2,598,713</u>	<u>159,735</u>
EXPENDITURES				
General Government	114,141	114,141	82,684	31,457
Administration	36,245	36,245	22,624	13,621
Total Expenditures	<u>150,386</u>	<u>150,386</u>	<u>105,308</u>	<u>45,078</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,288,592</u>	<u>2,288,592</u>	<u>2,493,405</u>	<u>204,813</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			910,891	910,891
Transfers To Other Funds	<u>(3,588,592)</u>	<u>(3,588,592)</u>	<u>(4,006,000)</u>	<u>(417,408)</u>
Total Other Financing Sources (Uses)	<u>(3,588,592)</u>	<u>(3,588,592)</u>	<u>(3,095,109)</u>	<u>493,483</u>
Net Changes in Fund Balances	(1,300,000)	(1,300,000)	(601,704)	698,296
Fund Balances - Beginning	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,333,658</u>	<u>33,658</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 731,954</u>	<u>\$ 731,954</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

HOSPITAL SPECIAL RESERVE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 68,181	\$ 68,181	\$ 98,056	\$ 29,875
Total Revenues	68,181	68,181	98,056	29,875
EXPENDITURES				
Administration	2,932,961	2,932,961		2,932,961
Total Expenditures	2,932,961	2,932,961		2,932,961
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,864,780)	(2,864,780)	98,056	2,962,836
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	319,180	319,180	319,180	
Total Other Financing Sources (Uses)	319,180	319,180	319,180	
Net Changes in Fund Balances	(2,545,600)	(2,545,600)	417,236	2,962,836
Fund Balances - Beginning	2,545,600	2,545,600	2,545,327	(273)
Fund Balances - Ending	\$ 0	\$ 0	\$ 2,962,563	\$ 2,962,563

LOGAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

LOGAN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

LOGAN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	Local Government Economic Assistance Fund	Solid Waste Recycling Fund	Life Skills Revolving Loan Fund	911 Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,511	\$ 383,507	\$ 58,925	\$ 33,536
Total Assets	<u>\$ 1,511</u>	<u>\$ 383,507</u>	<u>\$ 58,925</u>	<u>\$ 33,536</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$	\$ 2,232	\$	\$ 7,571
Unreserved:				
Special Revenue Funds	1,511	381,275	58,925	25,965
Reserved:				
Debt Service Fund				
Total Fund Balances	<u>\$ 1,511</u>	<u>\$ 383,507</u>	<u>\$ 58,925</u>	<u>\$ 33,536</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

Other Supplementary Information

June 30, 2008

(Continued)

Public Properties Corporation Fund - Detention Center	County Bond Sinking Fund	Total Non-Major Governmental Funds
\$ 433,495	\$	\$ 910,974
\$ 433,495	\$ 0	\$ 910,974
\$	\$	\$ 9,803
		467,676
433,495		433,495
\$ 433,495	\$ 0	\$ 910,974

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

LOGAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	Local Government Economic Assistance Fund	Solid Waste Recycling Fund	Life Skills Revolving Loan Fund	911 Fund
REVENUES				
Taxes	\$	\$	\$	\$ 363,616
License and Permits		203,575		
Intergovernmental	117,863	134,563		
Miscellaneous		57,562	9,600	423
Interest	1,281	15,843	2,222	1,936
Total Revenues	<u>119,144</u>	<u>411,543</u>	<u>11,822</u>	<u>365,975</u>
EXPENDITURES				
General Government	118,158			
Protection to Persons and Property				420,943
General Health and Sanitation	49,194	277,019		
Social Services	12,947			
Recreation and Culture	28,180			
Airports	17,500			
Debt Service		9,055		
Administration	555	26,770		154,964
Total Expenditures	<u>226,534</u>	<u>312,844</u>	<u></u>	<u>575,907</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(107,390)</u>	<u>98,699</u>	<u>11,822</u>	<u>(209,932)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	106,000			205,000
Transfers To Other Funds				
Total Other Financing Sources (Uses)	<u>106,000</u>	<u></u>	<u></u>	<u>205,000</u>
Net Change in Fund Balances	(1,390)	98,699	11,822	(4,932)
Fund Balances - Beginning	2,901	284,808	47,103	38,468
Fund Balances - Ending	<u>\$ 1,511</u>	<u>\$ 383,507</u>	<u>\$ 58,925</u>	<u>\$ 33,536</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

Other Supplementary Information

For The Year Ended June 30, 2008

(Continued)

Public Properties Corporation Fund - Detention Center	County Bond Sinking Fund	Total Non-Major Governmental Funds
\$	\$	\$
		363,616
		203,575
		252,426
		67,585
17,233		38,515
17,233		925,717
		118,158
		420,943
		326,213
		12,947
		28,180
		17,500
357,162		366,217
		182,289
357,162		1,472,447
(339,929)		(546,730)
336,922		647,922
	(86,725)	(86,725)
336,922	(86,725)	561,197
(3,007)	(86,725)	14,467
436,502	86,725	896,507
\$ 433,495	\$ 0	\$ 910,974

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



Peercy and Gray, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated September 30, 2008. Logan County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Logan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Logan County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Logan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

September 30, 2008

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LOGAN COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2008

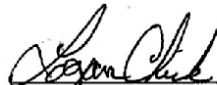
Appendix A

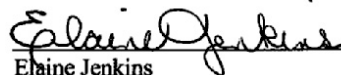
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LOGAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Logan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Logan Chick
County Judge/Executive


Elaine Jenkins
County Treasurer

